

City of Rochester

“Investment Strategies for Better Streets”

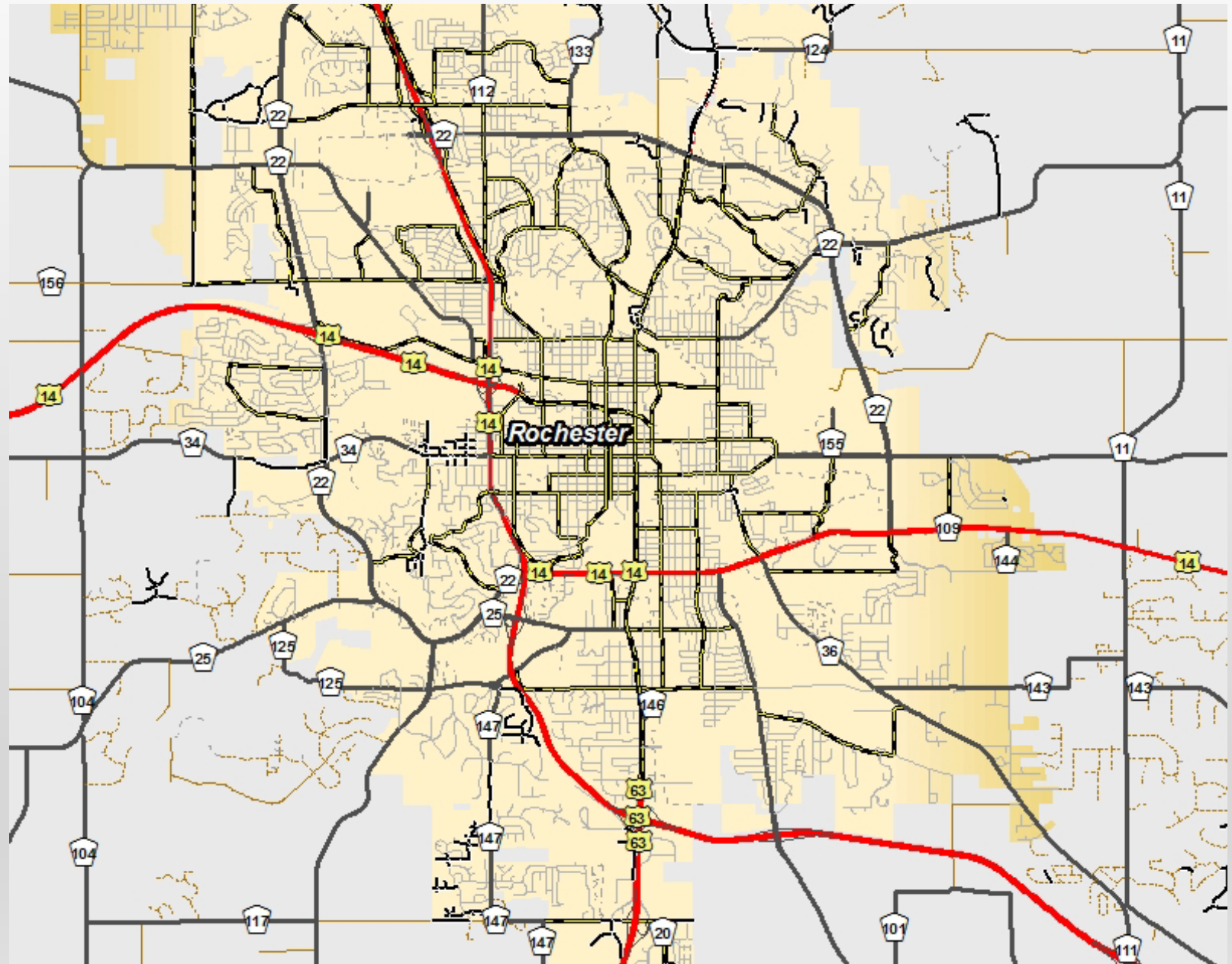
August 2016

Street Investment Strategies

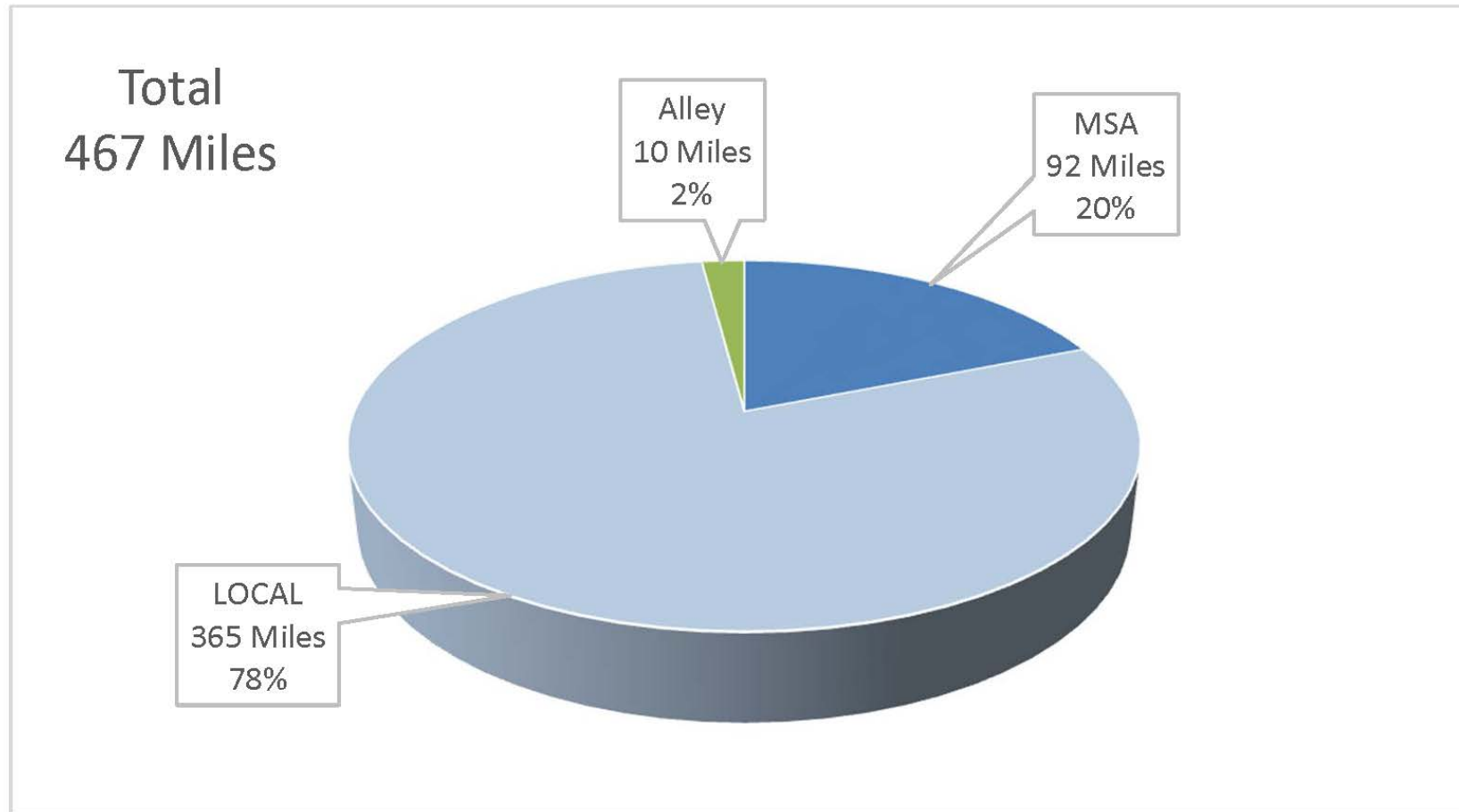
- Background & History
- Pavement Maintenance Strategies
- Investment Strategies

City of Rochester Road Network

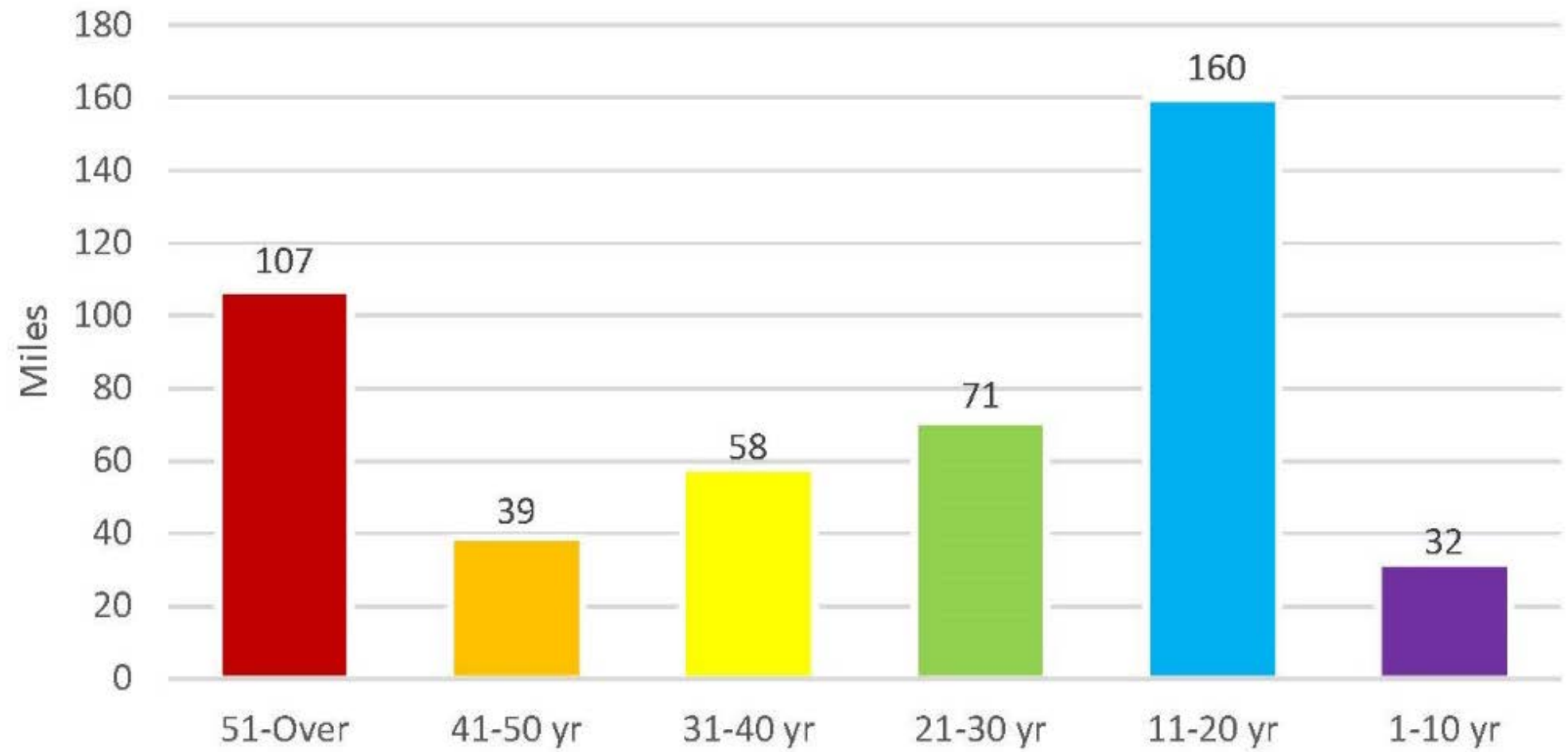
TOTAL	535 miles
State	23 miles
County	45 miles
City	467 miles



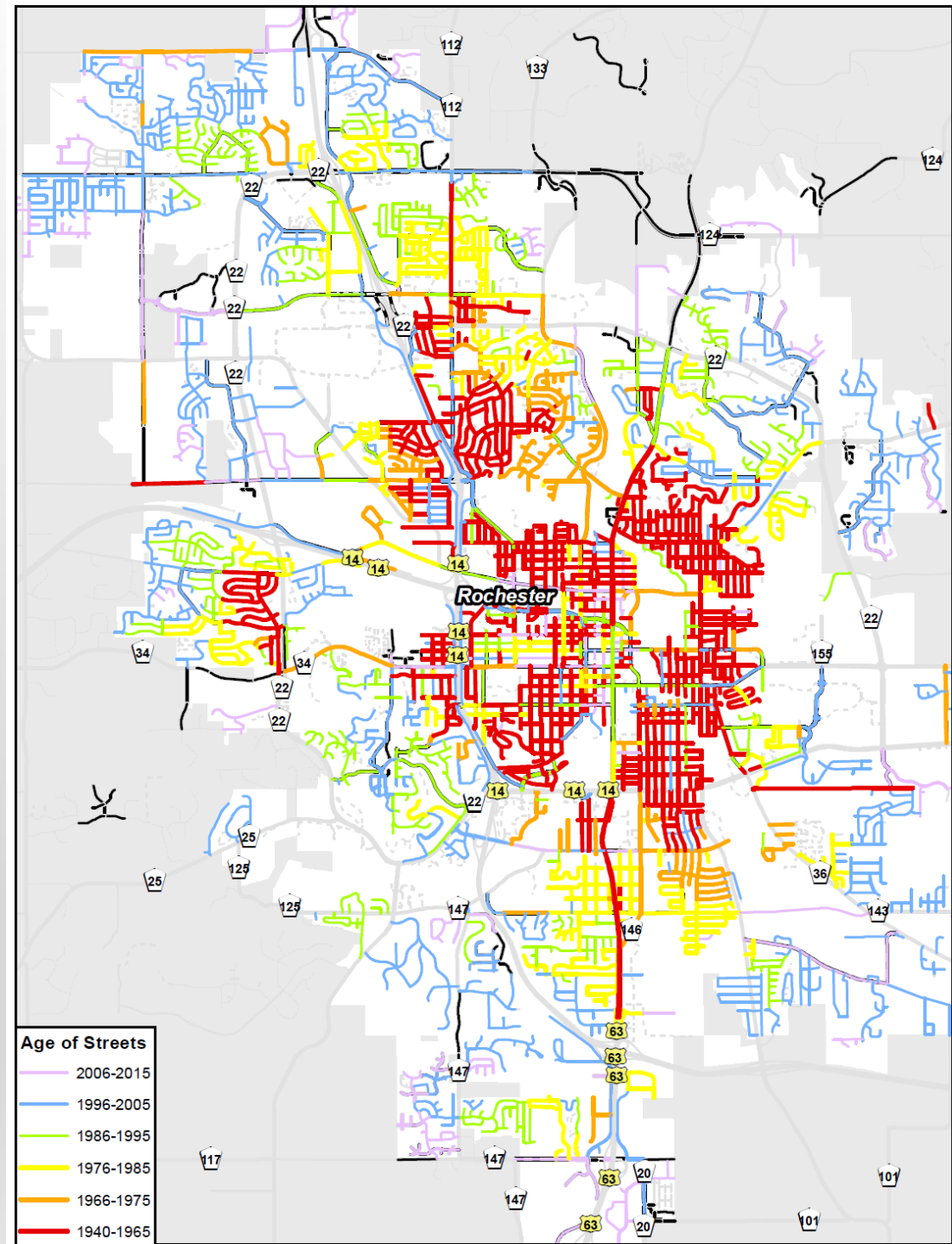
City Street Network



Age of Streets



Location of Streets by Age



Street **Surface** Condition Index

Bituminous Streets:

• Very Good	100 – 91	135 miles
• Good	67 – 90	179 miles
• Fair	34 – 66	42 miles
• Poor	0 – 33	26 miles

Concrete Streets: 85 miles

Total: 467 miles

Surface Condition Index = 82 (Good)



Surface Condition Index = 66 (Fair)

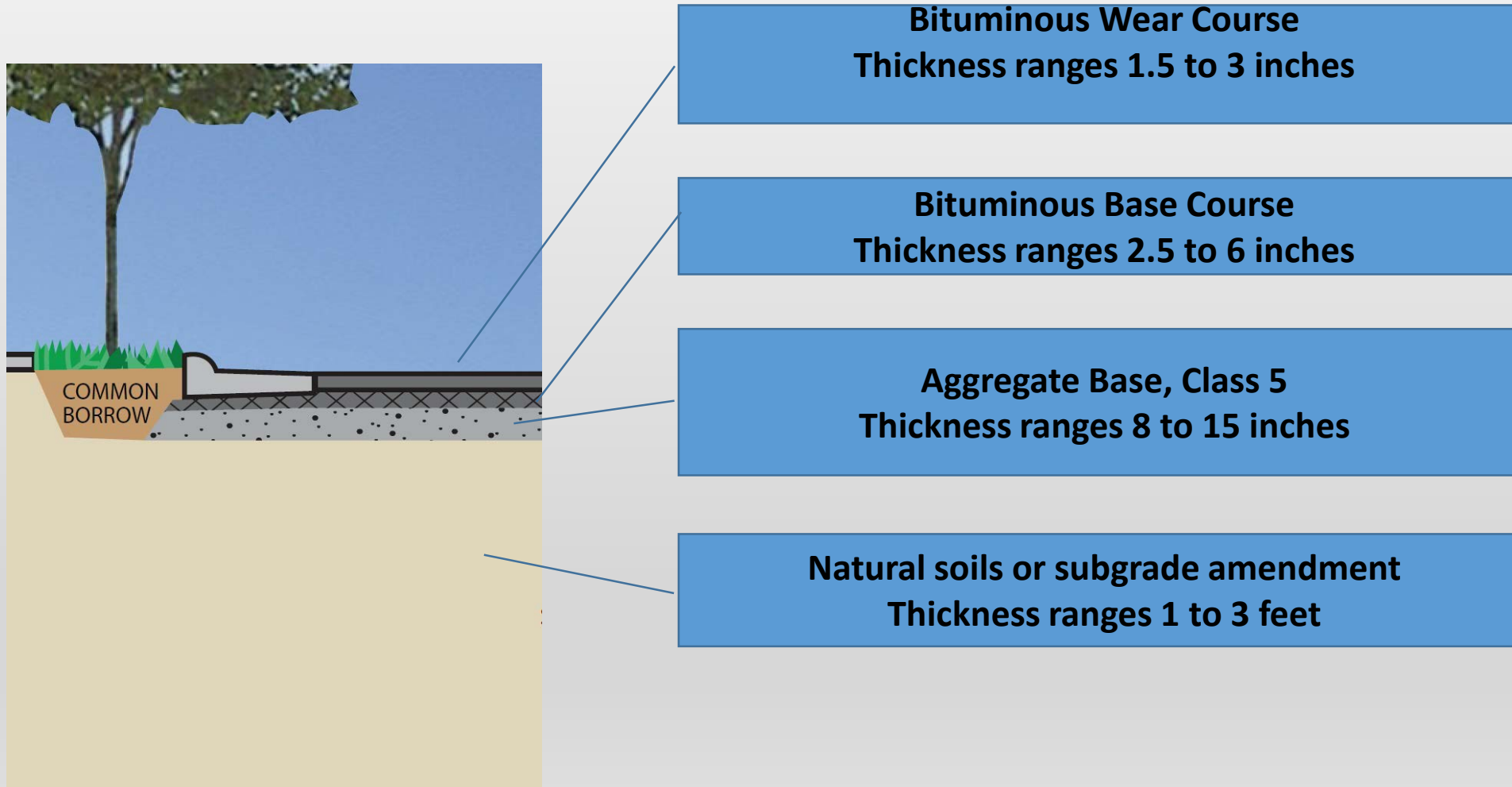


Surface Condition Index = 20 (Poor)





Typical Bituminous Pavement Detail

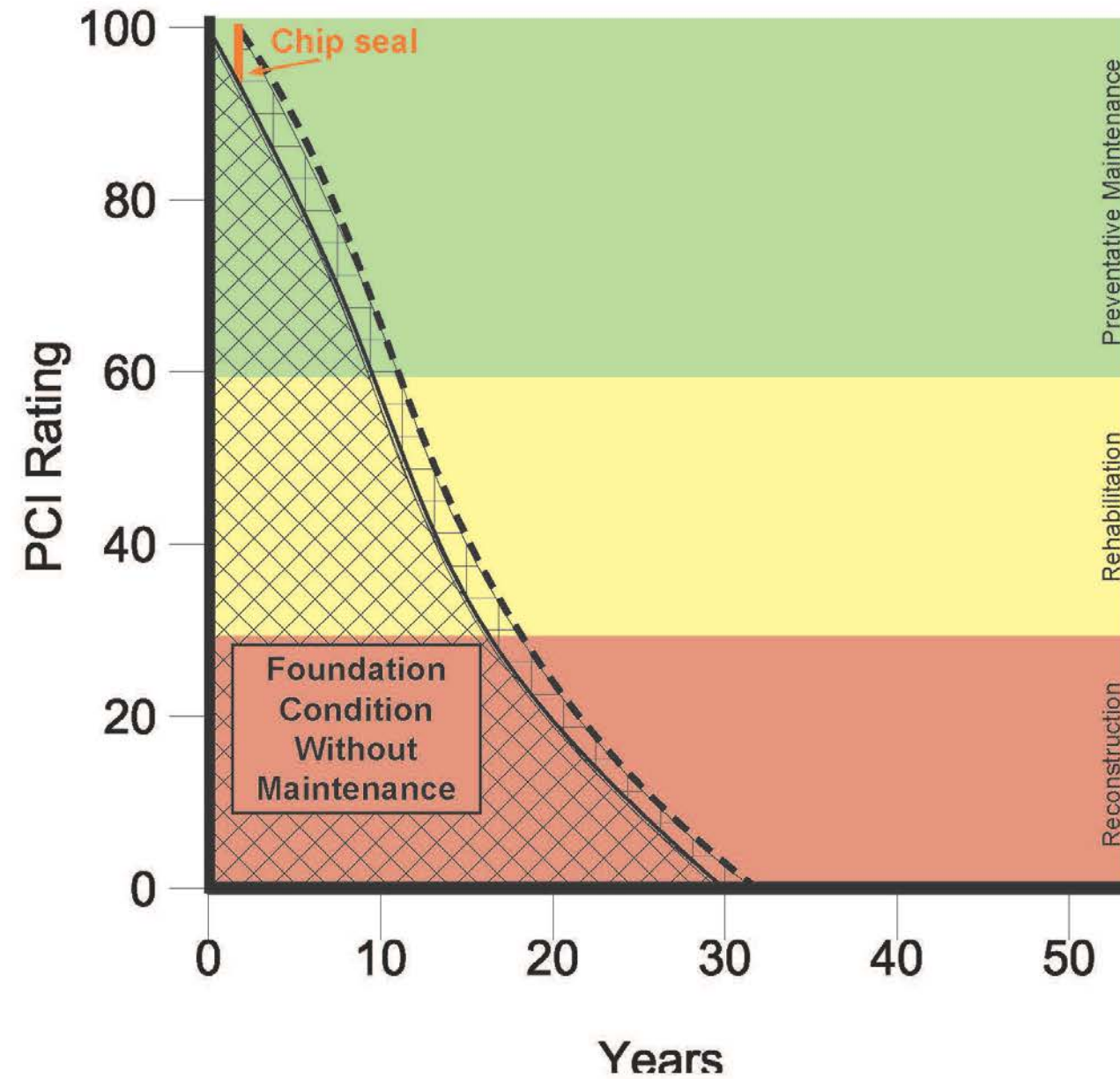


New Streets



Surface Condition = 100

Surface Condition over Time



Preventive Maintenance

Joint – Crack Sealing



**“Spending \$1 on pavement Preservation
can eliminate / delay spending \$6 to \$10
on future rehab / reconstruct”**



Preventive Maintenance

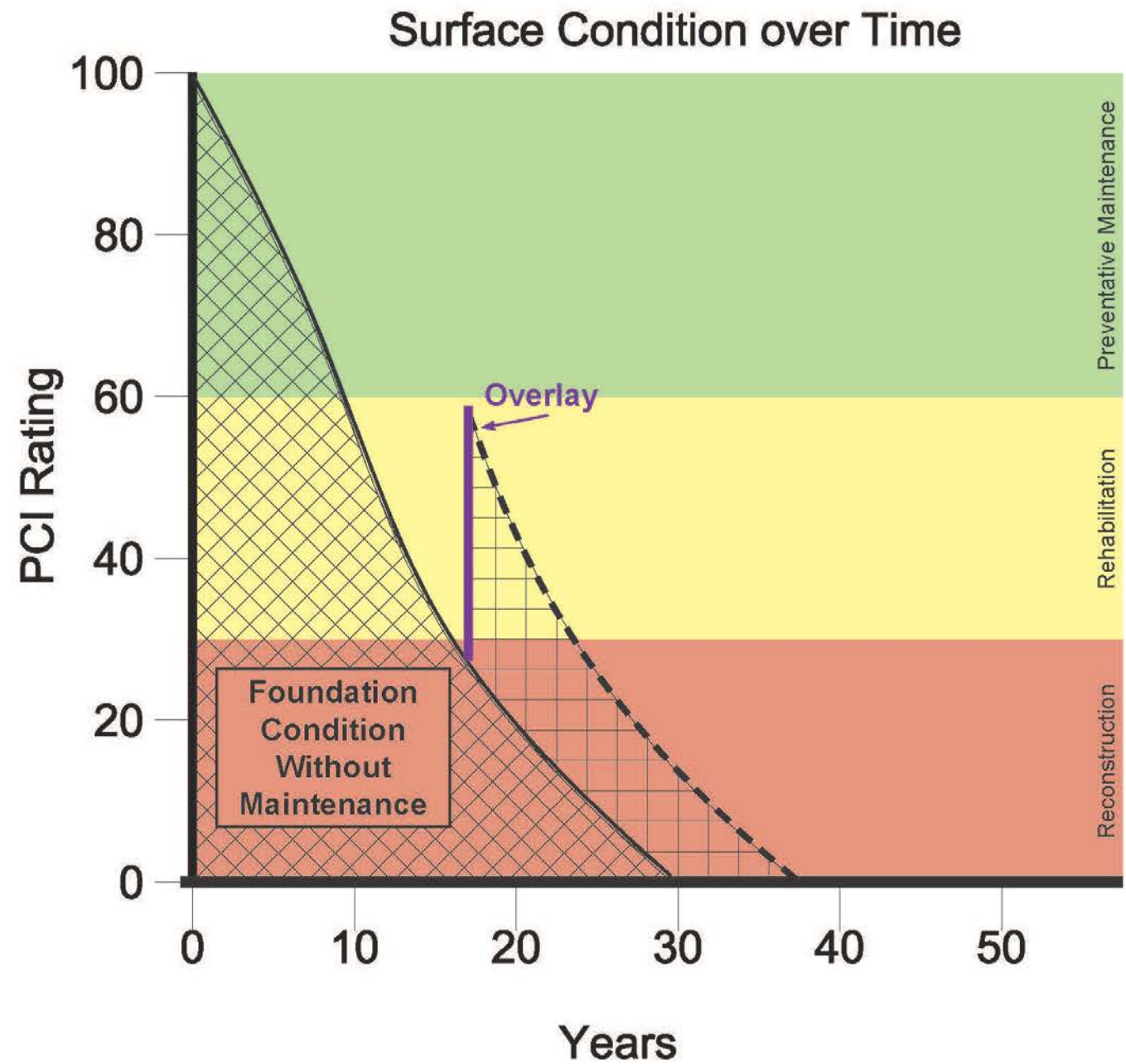


Seal Coating



Preventive Maintenance – Chip Sealing





Preventive Maintenance – Mill & Overlay



Resurfacing (Mill & Overlay)



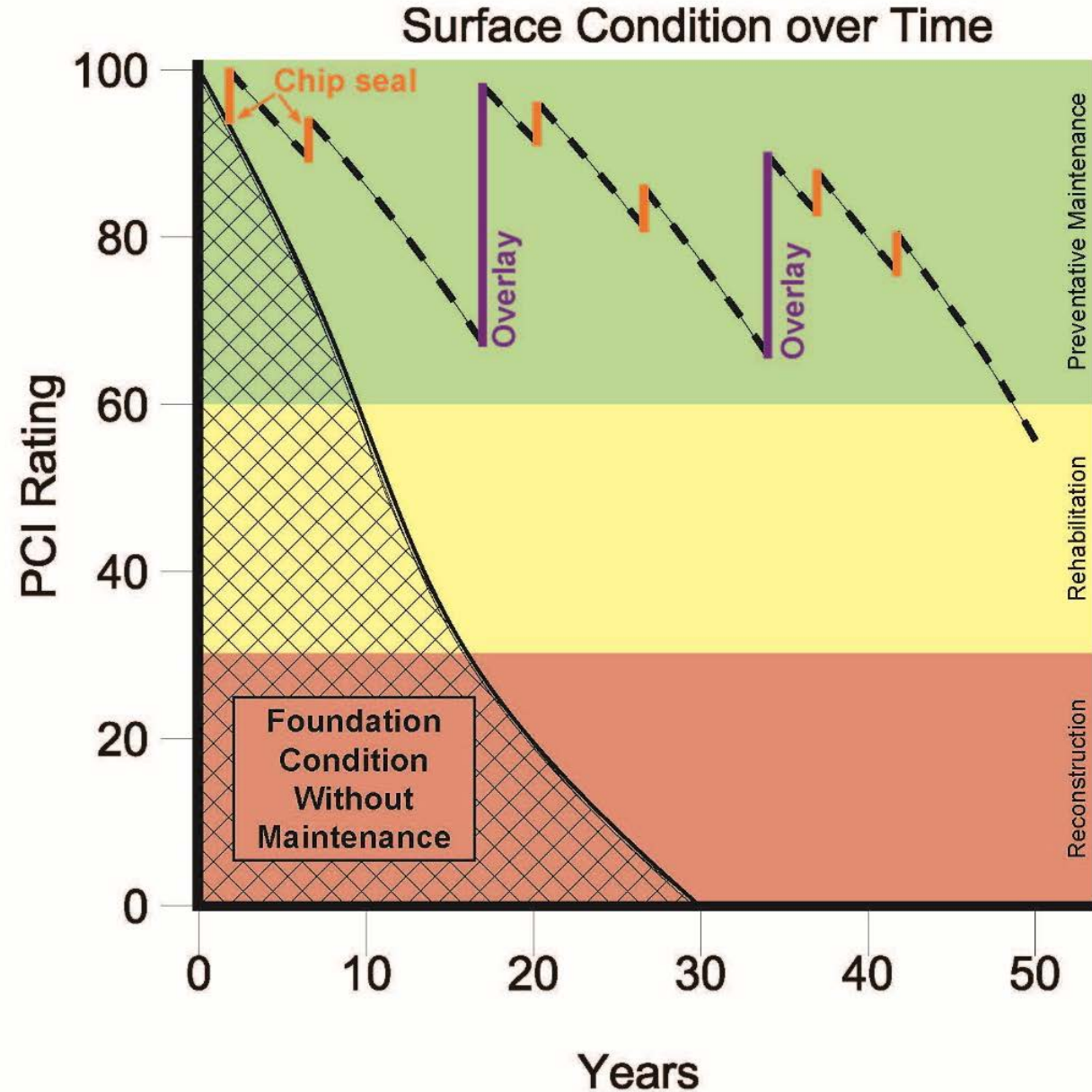
Street Reconstruction



Goal – Obtain 50 yr Life

Requires:

- Periodic Joint Sealing and Pothole Patching
- 6 Chip Seals
- 2 Mill / Overlays

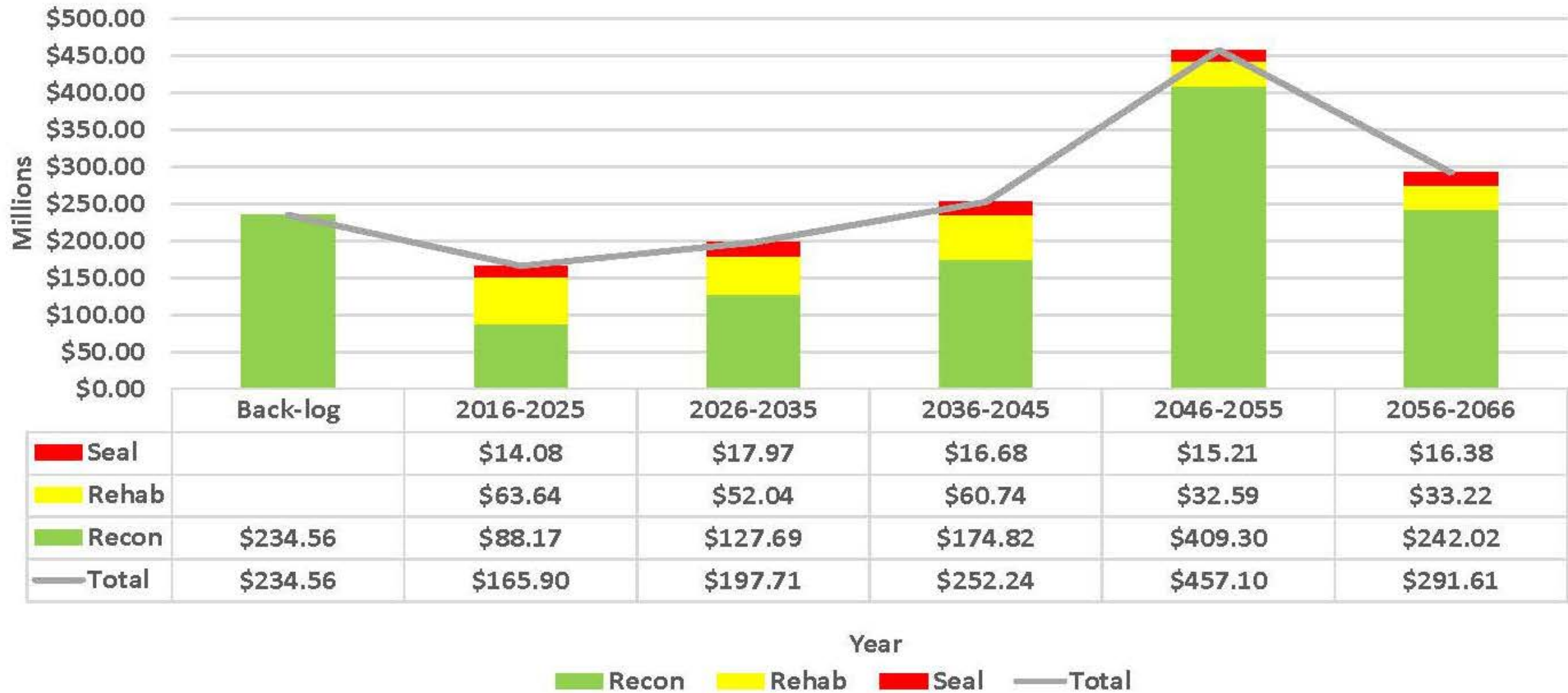


Annual Funding Needs

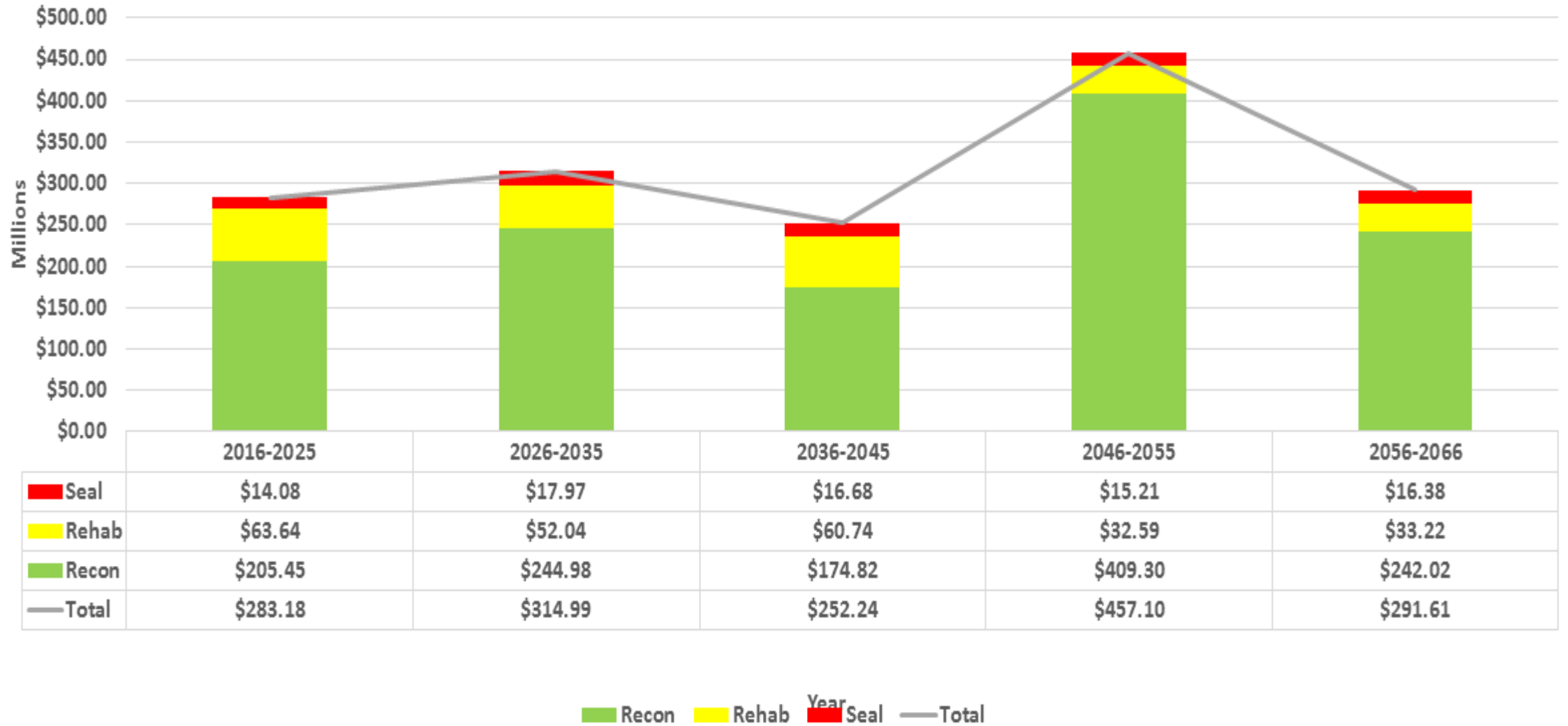
• Category	Current Funding	Funding Need
• Preservation (seal coats)	\$ 0.2 M	\$1.6 M
• Rehabilitation (mill / overlay)	\$1.8 M	\$4.8 M
• Construction / Reconstruction	<u>\$ 7.0 M</u>	<u>\$25.5 M</u>
Totals:	\$ 9.0 M	\$31.9 M

Shortfall \$22.9 M

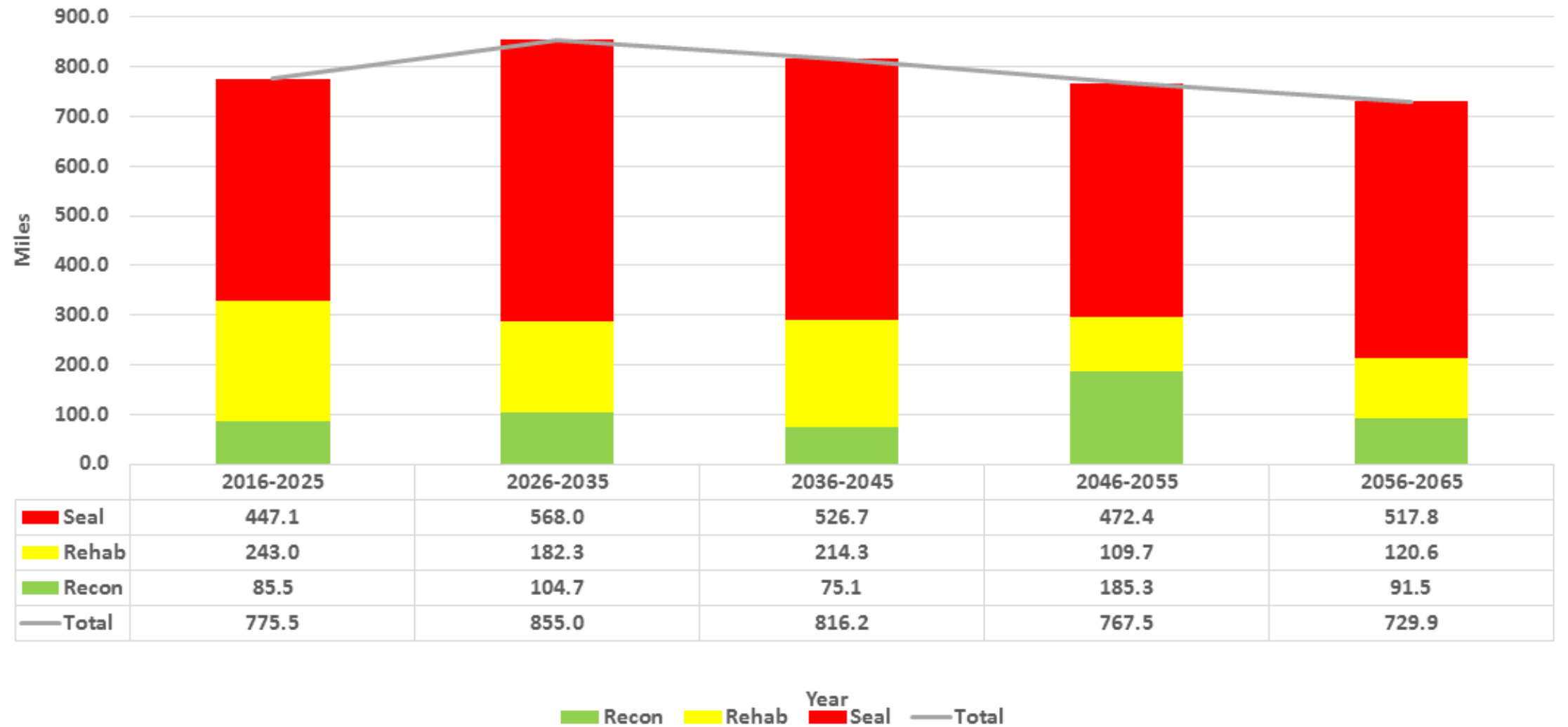
Future Annual Needs



Future Annual Needs

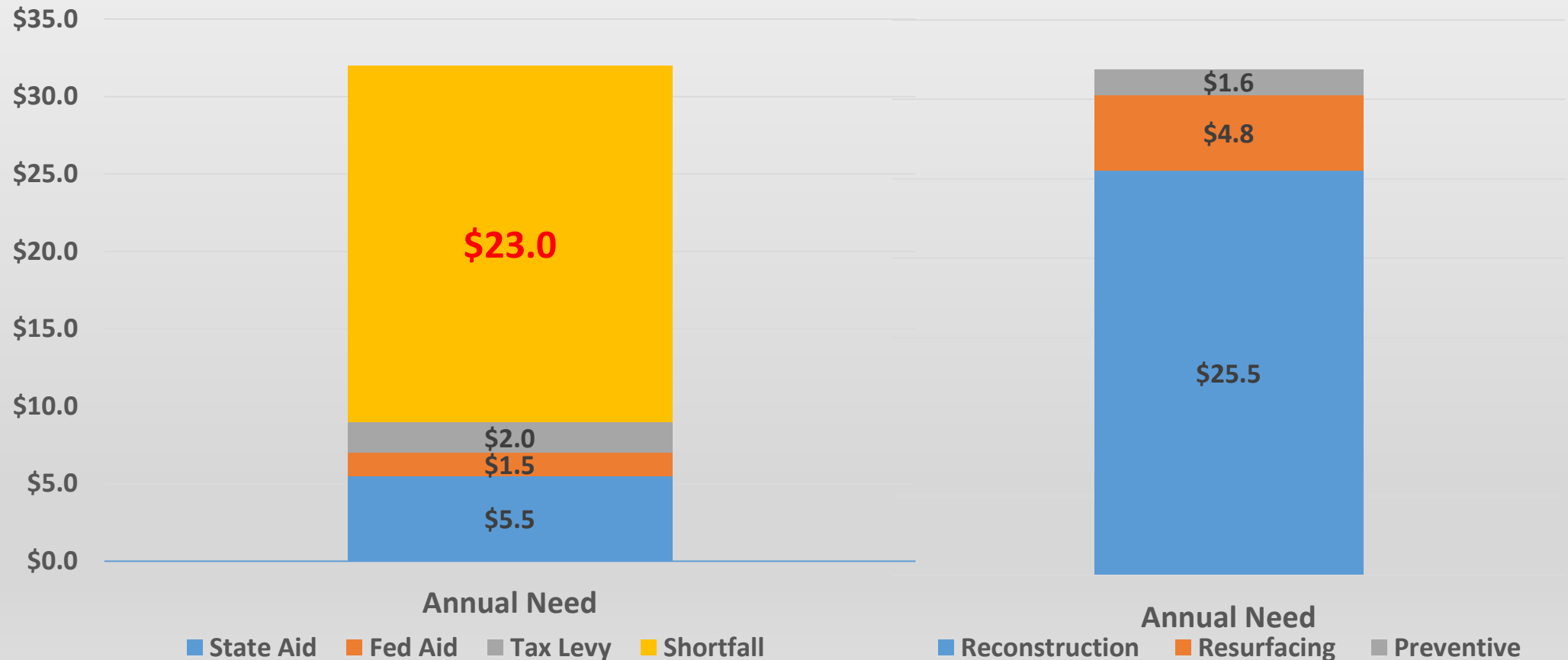


Future Annual Needs



Annual Funding Need -- \$32 million

Shortfall -- **\$23 million**



Investment Strategies

\$23 M/Year Gap



- Special Assessments – Traditional Answer
- Tax Levy
- Street Utility Concept / Franchise
- G.O. Improvement Bonds – (tax or utility supported)
- Other ?
- Some Combination of the Above

Street Assessments

- Traditional method
- Falls Short
 - Follows Mn Statute 429
 - Prove benefit of like amount – does not always translate to market value
 - Ten-year assessment for 20 year improvement
 - Transfers of ownership affect benefit of investment
 - Hearings / petitions / neighbors against neighbors
 - Only done for Reconstructions; not Preventative Maintenance

Tax Levy

- \$23 million / \$57 million 2016 levy = 40% increase
- Grow to this \$23 million / year over time
 - Each additional \$1 million in levy
 - Residential
 - = 1.8% increase in City Levy, 0.65% increase in Total Property Tax Bill
 - = \$16 / year for a \$192,000 (median) home
 - = \$27 / year for a \$300,000 home
 - Commercial
 - = 1.75% increase in City Levy, 0.5% increase in Total Tax Bill
 - = \$42 / year for a \$270,000 small business
 - = \$175 / year for a \$1,000,000 business
 - = \$2,266 / year for a \$12.5 million large business
 - Income Tax Deductible
 - Does not recover \$ from property-tax exempt parcels who benefit
 - Subject to levy limits if / when those return

Street Utility Concept / Franchise Fee

- [illegible]

G.O. Capital Improvement Street Bonds

- Provide some “up-front” funding to meet immediate need or backlog? (+)
- Perhaps in combination with “pay-as-you-go-funding” of franchise or tax levy
- Dedicate a portion of annual funding towards debt service payments
- Each \$1 million in annual cash flows dedicated towards debt generates roughly \$15 million in “up front” project funding (20 year bond, 3% interest).
- Would not want to tie up all street revenues for debt payments, but perhaps some limited percentage of annual flows?

Other Strategies

- Do nothing
- Combination of the above alternatives?
 - Increase annual tax levy support to Pavement Maintenance Program
 - Provide incremental increases over a defined period of time until NEEDS are met
 - Modify / update Assessment Program
- Other?
 - Petition & Wait for State Legislature to pass a “Street Utility”
 - Solar Roadways Public/Private Partnership? (Missouri Example)
 - Other ideas?

Next Step

- Adopt a Strategy for 2017 and beyond
- Meet August 22nd -- Committee of the Whole
- Desired Outcome – A Funding Strategy
 - i.e. “Develop a 10 year Strategy to increase funding incrementally by \$2 million per year for the next 10 years” *or*
 - i.e. “Develop a 5 year Strategy to increase funding incrementally by \$4 million per year for the next 5 years” *or*
 - i.e. “Develop a 6 year Strategy to increase funding incrementally by \$1 M (2017), \$2 M (2018), \$3 M (2019), \$4 M (2020), \$5 M (2021), & \$6 M (2022)” *or*
 - i.e. “Develop a multi-yr Strategy to create / dedicate Franchise Fees to pay for Preventive Maintenance and a multi-yr Strategy of tax levy increases to pay for Rehab & Reconstruction Projects”